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RECORDATION NO. 25268 FILED
OCT 29 '04 2-29 PM
SURFACE TRANSPORTATION BOARD

OF COUNSEL
URBAN A. LESTER

October 29, 2004

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are two (2) copies of a Memorandum of Mortgage, dated as of October 29, 2004, a primary document as defined in the Board's Rules for the Recordation of Documents.

The names and addresses of the parties to the enclosed document are:

Debtor:	Babcock & Brown Rail Funding LLC 230 Park Avenue, 32 nd Floor New York, New York 10169
Secured Party:	Bayerische Hypo-Und Vereinsbank AG, Agent FPA 4 Lease/Asset Finance Am Tucherpark 1 (FPA) 80538 Munich Germany

Mr. Vernon A. Williams
October 29, 2004
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A description of the railroad equipment covered by the enclosed document
is:

150 aluminum coal gondola railcars: WEPX 2875 – WEPX 3024.

A short summary of the document to appear in the index is:

Memorandum of Mortgage.

Also enclosed is a check in the amount of \$30.00 payable to the order of
the Surface Transportation Board covering the required recordation fee.

Kindly return stamped copies of the enclosed document to the
undersigned.

Very truly yours,



Robert W. Alvord

RWA/anm
Enclosures

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SURFACE TRANSPORTATION BOARD

EXECUTION COPY

MEMORANDUM OF MORTGAGE

Memorandum of Mortgage, made and entered into as of Oct. 28, 2004 between BABCOCK & BROWN RAIL FUNDING LLC (the "**Debtor**") and BAYERISCHE HYPO- UND VEREINSBANK AG, as Agent under the Security Agreement referred to below (together with its successors and permitted assigns, the "**Secured Party**"). Terms used in this instrument have the meanings assigned thereto in the Amended and Restated Security Agreement dated as of October 18, 2002 (as supplemented, including by Security Agreement Supplement No. 14 dated the date hereof, the "**Security Agreement**") between the Secured Party and the Debtor.

WITNESSETH:

The undersigned and the Secured Party have entered into the Security Agreement, by which the Debtor has granted a security interest in certain railroad equipment bearing reporting marks and road numbers as listed on Exhibit A attached hereto and in each lease referred to on Exhibit B attached hereto to the Secured Party in order to secure the Debtor's performance of its obligations as described in the Security Agreement.

IN WITNESS WHEREOF, the party hereto has caused this memorandum to be duly executed by its officer duly authorized as of the date and year first above written.

BABCOCK & BROWN RAIL FUNDING LLC

By 
Name: Ross Sullivan
Title: Vice President

STATE OF CALIFORNIA)
) ss.:
COUNTY OF SAN FRANCISCO)

On the 28 day of October in the year 2004 before me personally came Ross Sullivan to me known, who, being by me duly sworn, did depose and say that he resides at 1090 Butterfield Road, San Anselmo, CA 94960; that he is the Vice President (duly appointed) of Babcock & Brown Rail Funding LLC, the limited liability company described in and which executed the above instrument; and that he signed his name thereto by authority of the officers of said limited liability company.



Martin Phillips
Notary Public

[Notarial Seal]

Memorandum of Mortgage

NEWYORK/140750.1

**Exhibit A
to Memorandum of Mortgage**

EQUIPMENT

Lease #	# Cars	Year Built	Description	Reporting Marks	Casualty Marks
1	150	1997	4530 CF aluminum coal gondolas, AAR Car Type Code J311, 286,000 GRL, manufactured by Thrall Car Manufacturing Company	WEPX 2875-3024, inclusive	None

**Exhibit B
to Memorandum of Mortgage**

LIST OF LEASES AND OTHER OPERATIVE AGREEMENTS

Lease #

1. Master Net Railcar Lease made as of July 24, 1997 by and between The CIT Group/Equipment Financing, Inc. and Wisconsin Electric Power Company.

Schedule No. 01 to Master Net Railcar Lease made as of July 24, 1997 by and between The CIT Group/Equipment Financing, Inc. and Wisconsin Electric Power Company.

Memorandum of Lease dated July 24, 1997, by and between The CIT Group/Equipment Financing, Inc. and Wisconsin Electric Power Company.

Extension to Lease entered into as of July 28, 2000, by and between The CIT Group/Equipment Financing, Inc. and Wisconsin Electric Power Company, for the period September 1, 2000 through August 31, 2003.

Extension to Lease Schedule No. 01 entered into as of September 15, 2003, effective as of September 1, 2003, by and between The CIT Group/Equipment Financing, Inc. and Wisconsin Electric Power Company.

Letter Agreement dated October 6, 2004, effective from April 2003, between The CIT Group/Equipment Financing, Inc. and Wisconsin Electric Power Company with respect to the replacement of bolsters on the Equipment described under the caption "Lease # 1" in Exhibit A hereto.

Warranty Bill of Sale dated July 25, 1997 from Thrall Car Manufacturing Company to The CIT Group/Equipment Financing, Inc.

Bill of Sale dated October 29, 2004 from The CIT Group/Equipment Financing, Inc. to Babcock & Brown Rail Funding LLC, in respect of the Equipment described under the caption "Lease # 1" in Exhibit A hereto.

Purchase Agreement dated as of October 29, 2004, between The CIT Group/Equipment Financing, Inc. and Babcock & Brown Rail Funding LLC, to the extent the same relates to the Equipment described under the caption "Lease # 1" in Exhibit A hereto.

Assignment and Assumption Agreement, dated as of October 29, 2004, between The CIT Group/Equipment Financing, Inc. and Babcock & Brown Rail Funding LLC, in respect of the Equipment described under the caption "Lease # 1" in Exhibit A hereto.

Notice and Acknowledgment dated October 29, 2004, made by The CIT Group/Equipment Financing, Inc. and Babcock & Brown Rail Funding LLC to Wisconsin Electric Power Company, in respect of the Equipment described under the caption "Lease # 1" in Exhibit A hereto.

Notice Pursuant to Notice and Acknowledgment dated October 29, 2004, made by Babcock & Brown Rail Funding LLC and The CIT Group/Equipment Financing, Inc. to Wisconsin Electric Power Company, in respect of the Equipment described under the caption "Lease # 1" in Exhibit A hereto.

Side Letter dated October 25, 2004 from The CIT Group/Equipment Financing, Inc. addressed to Babcock & Brown Rail Funding LLC, in respect of the original equipment cost for the Equipment described under the caption "Lease # 1" in Exhibit A hereto.

Together with all substitutions, replacements and renewals of the property above described, and all property which shall hereafter become physically attached to or incorporated in the property above described, whether the Debtor now has rights therein or such rights shall hereafter be acquired by it.

CERTIFICATION

I, Robert W. Alvord, attorney licensed to practice in the State of New York and the District of Columbia, do hereby certify under penalty of perjury that I have compared the attached copy with the original thereof and have found the copy to be complete and identical in all respects to the original document.

Dated: _____

10/29/04



Robert W. Alvord